

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 1, 2007
POSITION: Neutral, note concerns
SPONSOR: Consumer Federation of California

BILL NUMBER: SB 831
AUTHOR: A. Lowenthal

BILL SUMMARY: Billing: Mobile Telephony Service

This bill establishes the following requirements for mobile telecommunication services:

- Allows subscribers to provide evidence and contest charges for unauthorized calls made from a lost or stolen phone. Furthermore, the bill will limit subscriber's liability for unauthorized calls that occurred before the phone was reported lost and stolen to no greater than \$50.
- Offers new subscribers 30 days after executing a long-term contract or 10 days after receipt of the first bill, whichever is later, to cancel the contract without early termination fees. Thereafter, fees would be pro-rated based on the unused portion of their contract.
- Offers existing subscribers 30 days after adding new service, renewal of service, or modifying existing service to a long-term contract to cancel, if they find it unsatisfactory, without penalty, provided that the subscriber pays for the service used before the cancellation.
- Gives subscribers at least 30-days written notice before changing terms of an agreement and an opportunity to terminate the agreement without an early termination penalty.
- Provides subscribers with clear disclosures related to the above provisions.
- Precludes third-party mobile telecommunication vendors from charging early termination fees.

FISCAL SUMMARY

The California Public Utilities Commission indicates that its implementation costs of this bill would be about \$500,000 Public Utilities Commission Utilities Reimbursement Account. The Department of Finance does not necessarily concur in this estimate, and we note that any request for additional resources would need to be evaluated during the annual budget development process. It is possible that the state would enjoy some savings from the additional consumer protections that would be created by the bill, although these savings cannot be estimated with any accuracy.

COMMENTS

Finance is neutral on this bill because the costs would be paid by the regulated industry, however, we are concerned that those costs could be substantial enough to end up being reflected in consumers' mobile telephone bills. Nevertheless, we expect that those costs would be relatively minor compared to the overall costs of mobile telephone service.

Mobile telephone service is a rapidly expanding business that requires consumers to sign complex, multi-year contracts that include significant cancellation penalties. It is common for consumers to be misinformed regarding the costs associated with mobile telephone service, including the costs of cancellation. This bill addresses these issues and attempts to reduce the situations that generate consumer complaints.

Analyst/Principal (0651) D. Harper	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**Form DF-43****AUTHOR****AMENDMENT DATE****BILL NUMBER**

A. Lowenthal

May 1, 2007

SB 831

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							
	LA	(Dollars in Thousands)							
	CO	PROP							Fund
	RV	98	FC	2006-2007	FC	2007-2008	FC	2008-2009	Code
9901/Var Depts	SO	No	----- No/Minor Fiscal Impact -----						0001